

Buyer's market wanes

Competition for well-priced apartments is intensifying

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By Candace Taylor

In New York City real estate, buyers have had the upper hand for a while. With transactions virtually frozen in the wake of last year's collapse of Lehman Brothers, sellers grew alarmed, dropping prices and offering incentives to tempt purchasers.

For the first time in a year, however, New York is no longer a buyer's market, brokers say. Or at least not the intense buyer's market of recent months.

"Neither buyers nor sellers have an obvious upper hand over each other right now," said Ric Swezey, a senior associate at the Corcoran Group.

As the stock market recovered and prices dropped, more buyers -- especially those who put off buying during the financial crisis -- came back into the market, searching for bargain prices.

"Attractively priced properties have brought patient buyers off the sidelines," said Douglas Heddings, founder of the Heddings Property Group at Charles Rutenberg Realty.

As a result, brokers are starting to notice more competition.

Rick Wohlfarth, founder of boutique Upper West Side brokerage Wohlfarth & Associates, said he's noticed a large number of buyers looking for "classic six" apartments priced under \$1.5 million.

"Pent-up buyer demand is evident in the multiple bids we're seeing for this type of property," said Wohlfarth, who is also a member of the Manhattan Association of Realtors' Market Trends Committee. "We recently had 16 qualified bids for a classic six on West End Avenue, which resulted in a winning bid \$200,000 over the asking price. There are a lot of buyers right now looking for this particular Holy Grail."

In response, sellers of these well-priced apartments no longer have to negotiate as much.

"Sellers recognize that buyers are out there and are more serious about purchasing, and are beginning to tighten up values, with less negotiating occurring in some cases," said Jacqueline Urgo, president of the new development firm the Marketing Directors.

In another sign that the buyer's market has faded, home seekers have started to complain about lack of inventory, Wohlfarth said.

"New York City has tremendous demand, and very little inventory," said Prudential Douglas Elliman managing director of luxury sales Darren Sukenik. "Trying to find B+ or better

inventory in B+ or better locations has become very competitive."

There's one major caveat to all of this: Unlike in the boom, overpriced homes simply don't sell.

"This is a market where proper pricing brings results," Wohlfarth said. "Those apartments that are well-priced for today's market, not those idealized 'magical thinking' asking prices, are the ones that sell, frequently within a matter of weeks."

The same goes for new developments, where price cuts have sparked activity. "Both parties are finally seeing eye-to-eye on price point, which is injecting a moderate sense of urgency back into the marketplace," said Kelly Kennedy Mack, president of Corcoran Sunshine Marketing Group.

The new development market is also starting to see inventory drop as the supply of new projects dries up.

"All construction came to a screeching halt over 18 months ago," Sukenik said.

New development sales have gotten an additional boost from international buyers -- often armed with cash -- who are showing a renewed interest in the city, prompted by low prices.

"The volume of foreign buyers is growing at the moment," said James Cox Jr., the director of sales and marketing at One York Street condos. "It seems the value of the dollar and the market prices are attracting a lot of interest in New York City, and real estate opportunities."

As a result of all these factors, homeowners who had avoided putting their homes on the market are having a change of heart.

"We've been experiencing a steady stream of sellers contacting us recently who are exploring the feasibility of selling their homes in the near future," Wohlfarth said. "With the large turnouts in the last month at open houses, sellers are gaining confidence that there really are buyers out there willing to buy now."

The lingering question, one that has plagued real estate experts since the spring, is how long the current rally will continue.

"The market has firmed up like a sheet of ice," said Meredyth Smith, a senior vice president at Sotheby's International Realty. In early 2009, "no one wanted to go out on the ice at all. Now there's the sense that you can be on the ice."

If the current surge in demand declines, however, a buyer's market could be back with a vengeance next year.

"We could go crashing through that ice again in 2010," she said.